

*not in Peel*

THE WHEAT BOARD QUESTION

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Minutes of Evidence

OF

Mr. James A. Richardson

BEFORE THE

Select Standing Committee

ON

Agriculture and Colonization

At Ottawa, Wednesday, April 26, 1922



SELECT STANDING COMMITTEE ON AGRICULTURE  
AND COLONIZATION

MINUTES OF PROCEEDINGS

Wednesday, April 26, 1922.

The Committee met at eleven o'clock, a.m., Mr. McMaster, the Deputy Chairman, presiding. Present:—Messieurs Bowen, Brethren, Carruthers, Charters, Chew, Evans, Fafard, Forke, Forrester, Good, Halbert, Hunt, Jelliff, Johnson (Moose Jaw), Kennedy (Glengarry and Stormont), Leader, Leger, Lovett, Lovie, Lucas, MacKelvie, McConica, McCrea, McMaster, McMurray, Maybee, Millar, Milne, Morin, Neill, Pritchard, Sales, Senn, Sexsmith, Sinclair (Queens, P.E.I.), Stansell, Stein, Stevens, Stewart (Humboldt), Tolmie, Warner, White and Wilson.

On motion by Mr. Stevens, seconded by Mr. Tolmie, it was ordered:—

"That steps be taken to secure the cuts which appeared in the Report on Winnipeg Grain Exchange to Royal Grain Inquiry Commission and incorporate them in the official report of the evidence given before this Committee."

Mr. James A. Richardson, President and General Manager of James Richardson & Sons, Limited, Winnipeg, who was in attendance, was called, sworn, examined and discharged from further attendance.

Committee adjourned to meet at eleven o'clock, a.m., on Thursday, April 27th, 1922.

ARTHUR GLASIER,  
Clerk to Committee.



## MINUTES OF EVIDENCE

Committee Room, 424  
House of Commons,  
Wednesday, April 26, 1922.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, a.m., the Deputy Chairman, Mr. McMaster, presiding.

The Deputy Chairman: The Committee will please come to order.

Hon. Mr. Stevens: Mr. Chairman, the other day when we were receiving the very interesting address by Dr. Magill, which was illustrated by cuts, I mentioned that we should have these cuts incorporated in the official record. I understand from the Clerk of the Committee that considerable expense will thereby be involved. Dr. Magill and Mr. Sanford Evans have advised me that it would be possible to get the cuts already made, from which this pamphlet issued by the Secretary of the Winnipeg Grain Exchange was printed. Dr. Magill's address was very illuminating to hear, but I am afraid that the official record will not convey his meaning very accurately unless the cuts are inserted at the appropriate places. I therefore move that steps be taken to secure these cuts and have them incorporated in the official report of the evidence given before this Committee by Dr. Magill.

Dr. Tolmie: I will second that motion. I, too, believe that the value of the official report will be greatly lessened unless these cuts are incorporated therein.

Motion agreed to.

The Deputy Chairman: Is there any person representing the millers here this morning? On Monday last I asked certain information to be given at our next meeting, and that information has not yet been furnished.

An Hon. Member: I happened to meet some of the millers at the hotel, and they said they had an appointment before another sub-committee of the Government with regard to freight rates. I think that is the only reason they are not present here this morning.

The Deputy Chairman: Our first witness this morning is Mr. James A. Richardson. James A. Richardson, called, sworn and examined.

The Deputy Chairman: Mr. Richardson, where do you reside?

Mr. Richardson: In the City of Winnipeg. I am president and general manager of James Richardson & Sons, Limited, Grain Merchants and Grain Exporters.

The Deputy Chairman: You have some information to place before this Committee. Please proceed to do so.

Mr. Richardson: Mr. Chairman and gentlemen: I am not accustomed to public speaking, and therefore I believe I could present my case much better if I were allowed to conclude my evidence before being questioned.

The Deputy Chairman: I think that procedure will be satisfactory to the Committee. I would, however, ask you to read as little as possible. The spoken word is much more acceptable than the written sermon.

Mr. Richardson: I appear before you as a grain merchant and grain exporter. I came here at the request of the shippers and exporters of the Winnipeg Grain

Exchange. It seems to me that there is no business about which there is so much misconception on the part of the public as there is about the business of handling and merchandising grain. This is no doubt due to the fact that the factors that go to make wheat prices are obscure to the man on the street, who has not made a study of the business. Consequently, he criticises what is in fact one of the most highly organized and best run businesses in the world. For honesty, efficiency and toll collected for services rendered, the grain trade invite comparison with any other business conducted in the Dominion of Canada. Recently we have gone through a world-wide depression, and Canada has not escaped, nor has the Western Canadian Farmer escaped. He suddenly found himself with practically no market for hides, wool, beef, sheep, and a great deal of what he produces. There was no one whom he could blame for the terrific decline in these articles, but when wheat prices went down he was immediately disposed to lay the blame on the Grain Exchange, in spite of the fact that the Grain Exchange merely offers facilities for trading. It does not control or make prices; these are made by world conditions, and the farmer must realize that through the Grain Exchange organizations he was able to market his grain crop any business day in the week. There has never been a time in recent years when the farmer could not get paid cash for his grain crop at any town in Western Canada, and on any day in the week. The price may not have always been satisfactory to him, but the market never failed, even at a time when it was hard to get 50 cents on the dollar for good general securities.

The grain business cannot run as a side line. I question if there is any business in the world which is so exacting on the men who engage in it. Success in the grain export business requires the constitution of an ox, an enormous capacity for hard work, and the peculiar qualifications which belong to a trader. The grain men engage as a life work, for experience and technical knowledge are necessary to its successful conduct. I have spent all my business life so far—sixteen years—in the grain trade, and my family have followed the grain business for three generations. The business of which I am now the head was established by my grandfather in 1857, and in the winter of '84 we shipped to Liverpool the first Western Canadian wheat exported from this continent. This particular shipment proved to be a very costly one for us, I mention it to show that private enterprise was seeking a market for the farmers' product as soon as the farmer had any surplus to sell; and we, along with others, engaged in exporting grain, vigilantly send our cables out daily to every corner of the globe where there is a prospect of finding a market for Canadian wheat. The wheat exporter believes that he performs important service, and performs it well. Our own firm do a very large export business in wheat. The business has been built up in the face of the keenest competition and is the result of work of many years, and today we rank for first place with two or three largest grain exporting houses on this continent. We have no desire to retire from the field, but we do not want to see the Wheat Board question settled merely on constitutional grounds. Personally, I feel that if the business in which I am engaged cannot be justified on economic grounds then I am content to leave the grain export business and devote my energies to some other line of work. I want to point out, though, that the grain trade as well as the farmer, want to see a big crop produced, and want to see it merchandised under conditions that will encourage increased production. The exporter of necessity works on a very small margin due to the ease with which anyone can get into business. No plant or equipment are necessary. We must hold our business by our teeth. We have no trade mark or protection of any kind, and profits depend entirely on a large turnover. It will be hard to understand how we could well have more competition than we have always had, and I might just instance the fact that Sandays of Liverpool, Drèyfus of Paris, Mueller of Rotterdam, and many other foreign grain houses, have branches on this continent, and we must sell in their home markets in competition with them. Do

you suppose these houses let us get away with a big profit or that we let them get away with one?

The fact that the export wheat trade work on a small margin has never been questioned by any responsible writers or speakers, and in support of this, I might quote from the report to the Saskatchewan Government of the Royal Commission appointed "to examine into ways and means for bettering the position of Saskatchewan grain on the European markets." This report was made in 1914; the members of this Committee were J. H. Haslam, C. A. Dunning, now Premier of Saskatchewan, Edmond H. Oliver, Professor of History and Economics, University of Saskatchewan, and Geo. Langley, then Minister of Municipal Affairs in Saskatchewan. I quote from the Report as follows:

"All of the charges are necessary, legitimate and inevitable. Without the various services concerned the exporting of western grain could not be carried on. Some of the charges are small and fixed and are easily allowed for. Others are very variable, and not only loss but actual ruin would face the exporter who carried on his business without making proper allowance for them. Ocean and Lake freights are the chief of these variable charges. The exporter must have the actual space he needs contracted for, or else know exactly where, when, and for what price he can obtain such space as he needs before he can safely close with any bid or make any offer. The difference between the lake and ocean freight rates prevailing in June, 1912, and in November, 1912, was fully five and two-fifths cents per bushel. Where would the exporter have been who in May sold wheat to Liverpool for November shipment, and made his calculations on the basis of May lake and ocean rates?

"It will be seen then that exporting grain is a business that calls for very careful calculation, strong financial backing and the laying of plans and making contracts months in advance of the movement of the actual grain. The business of exporting is of necessity too speculative to admit of any definite statement being made as to the amount realized by an exporter in return for his service. The known spread for day to day between Winnipeg cash or futures and the Liverpool futures upon which such cash wheat or future purchases could be applied is one evidence that exporters' margins are not wide. The highly competitive nature of the business (a) as between exporters, and (b) as between exporters and millers, coupled with the comparative ease with which, under modern conditions of transportation, communication, etc., firms in the grain trade in other countries could engage in the business were it immoderately lucrative, renders it improbable that large margins of profit exist in the export business under the present circumstances of the trade.

"No doubt, some bold and fortunate speculative exporters, and some large operators having the best of financial and shipping connections and favourable contracts for lake and ocean space make very good profits, but the commission has no evidence to indicate that the usual margin on which the exporting of wheat is conducted exceeds from one-half to one cent per bushel."

These gentlemen make a very exhaustive report based on actual study in Canada, the United States, Great Britain and the continent of Europe, and to show how accurate their conclusions as quoted are, I may say that the grain sold by our house for export for the six months ended January 31st last, showed a net profit of only a slight fraction over  $\frac{1}{2}$  cent per bushel or per cent. of our actual export turnover. If I converted that into a percentage of our turnover, it would be a good deal more forcible. I came here without preparation because I did not expect to address the Committee, and merely dictated these notes direct to the typewriter without that information being available at the time. For this profit of  $\frac{1}{2}$  per cent., we buy our wheat, take our ocean freight, sell our foreign bills, protect our New York funds, guarantee to make shipment

to foreign ports in accordance with our contracts, insure our grain, do considerable work incidental to guaranteeing outturns, adjust commissions with our foreign agents, pay rail freight, elevator charges, port charges, and do much other work incidental to the business. For weighing and inspecting grain at Fort William, in and out of the elevators, the Government make a charge of \$4.00 per thousand. They take no risk whatever, and yet this charge is about three-quarters of the return we secure for the services outlined above. This might indicate to you why the exporter would not fear a voluntary pool, or any other kind of competition, which would allow him to use his own ingenuity. Certainly the exporter does not get paid too much for the service he performs, and the exporter actually doing business today need not fear any open competition, because he has to justify his right to survive every day he lives.

I fully appreciate that this Committee is not finding any fault with the margin of profit the exporter gets, but what it wants to do is to get a bigger profit out of growing wheat for the farmer, and the question is, are the wheat growers getting as good a return by having their grain marketed through private competitive channels as they would if a Wheat Board, or some other organization, could supplant the present private exporter. He is practically the only man who would be put out of business by a Wheat Board, because eastern transfer elevators, Fort William elevators, the country elevators in Western Canada, and the trained organizations of the Winnipeg Grain Exchange would, in any case, have to be utilized. The exporter is aware that it has been charged that owing to what is called our haphazard selling, the foreign buyer secures our wheat in the fall of the year at far below its true value, and in this matter the exporter is satisfied that you should be guided by the facts. Dr. Magill has quoted you the ruling figures for several pre-war years, and these figures are worthy of study. I might repeat, though, that the low point is by no means to be sure in the fall of the year, that the low point may be any month in the year, and it will appear reasonable to you that if our wheat always reached the lowest point in the fall of the year, then why, for instance, does not the English buyer, who can finance very large quantities of grain, buy his year's requirements in the fall, and if necessary, store it in Canadian elevators, until he requires it, or better still, why does he not in the fall of the year, protect his next summer's requirements by buying our May wheat, which, in the fall of the year, can usually be purchased at very close to the October price? By doing this he would save much interest and storage.

Considerable wheat has been sold to the British buyer during the month of March. Recently he has bought grain at values very much higher than he could have bought it last fall. He could have bought wheat for May and June shipment last fall just as readily as he can now, and he could have bought it for a great deal less money.

But what are the facts of the case? The English and foreign buyer does not appear to think that we give our wheat away in the fall of the year because he only buys his current requirements. Now, how can we account for this? It must be that he expected to buy cheaper from the Argentine after Christmas, or he does not want to load up with our wheat in the fall of the year and run the risk of having his Canadian purchases show him a sharp loss should the Australian and Argentine crops be bountiful and come on the market early in the New Year at lower prices. It is a fact that large quantities of wheat are left unsold in Canadian elevators late in the fall. But this wheat is not sacrificed; it is usually purchased by exporters at very close to May prices, and moved out of Fort William and Port Arthur to Buffalo and Georgian Bay before freeze-up. These exporters, when they buy the cash wheat and ship it across the lakes sell May wheat against it, and they are in a position to export this grain during the winter months. The value of this wheat east of the lakes fluctuates in accordance with the fluctuations of the May future, and as this



reflects world's values the exporter is able to meet world's competition. Whenever the exporter sells his cash grain he buys in his May future and closes the transaction.

What I would like to emphasize particularly is the fact that the price paid for any crop year is determined by the estimates of the total supply that will be available during the crop year, and not by any local or temporary situations. The Englishman imports almost exactly the same quantity of wheat each month in the year, and he buys this all over the world, wherever he can buy the cheapest, and when our first October wheat is traded in the price is based on the amount of wheat actually available in the world at the time and on the condition of the growing crops. If growing crops improve, wheat values tend to be lower. If growing crops are damaged a higher value will be reflected in our October wheat.

The Deputy Chairman: That means wheat which you expect to have delivered in the month of October?

Mr. Richardson: Wheat for delivery in storage at Port Arthur or Fort William during the month of October.

The Deputy Chairman: What about May wheat?

Mr. Richardson: That is wheat for delivery in storage at Port Arthur or Fort William during the month of May.

This price of wheat does reflect the wheat stocks and growing conditions the world over, and charts shown by Dr. Magill indicate this much better than it would be possible to explain it any other way. I remember hearing Mr. Sanford Evans lecture on some of the charts he prepared when he was on the Georgian Bay Commission.

It is interesting to note how some of the chief crops of the world mature. In Texas harvesting comes on in June and harvesting goes north at the rate of fifteen or twenty miles a day up to Canada and through Canada. As far as this continent is concerned, the first movement of new crop wheat is through the gulf of Mexico. Then in July and August, there is a movement of winter wheat through Chicago to Montreal. Ontario wheat comes on the market in August, American Pacific coast wheat in volume in September, American and Canadian spring crops come out heavily in September, October and November, with not much let-up until navigation closes about the middle of December. Australia and Argentine come in as heavy shippers in January, February and March, and as smaller shippers during the summer months. In May, June and July, India and Egypt are shipping freely, and in August and September the Balkan States are free shippers.

This brings us back again to the time when our spring crop is again moving, and it is interesting to note that Russia, who is not at present a factor in contributing to the world's shipments, has normally a large crop which comes on the market at the same time as our crop. It can readily be seen that we do not control the world's wheat prices, but there is a time of the year when importing wheat countries normally look to us for supply, and if we do not sell them wheat in the fall of the year, when they want it, what is going to be the result. It simply means that we are going to have to sell our wheat later, when other countries are pressing their new crop wheats on the market, wheats that have no interest or storage charges against them. Not only would we have to compete in selling against this wheat produced in countries with lower standards of living than our own, but we must compete with them in bidding for ocean tonnage, and pay higher rates than we have to pay in the fall of the year, when the ships are not employed in the long hauls to Argentine and Australia.

I have pointed out when some of the chief wheat exporting countries market their crop, but I have not pointed out that during the months of June, July, August and September, there is produced in the world 2,400,000,000 bushels of wheat. This

represents about 75 per cent. of the world's annual wheat production. It would be misleading to leave these figures without further comment, because the world's wheat price is determined by the exportable surplus, and the requirements of wheat importing countries is only about 600,000,000 bushels, annually, but we must not forget that this 2,400,000,000 bushels of wheat has a regulating influence and if prices are high, economy results, consumption is lessened, and an increased amount of wheat is made available for countries that require to import.

With these conditions, is it reasonable to think that the Government of Canada, or any other Government, can lift the whole world's price for wheat? To accomplish this, economic laws would have to be suspended. If the economic laws could be suspended for the benefit of the Western grain grower, I would not want to oppose it. I know the Western grain grower and no man in this room admires him more. He has lots of courage and boundless optimism, and with the character of our soil and the character of our people, I believe we will succeed as a wheat exporting country. The grain trade believe this, and have backed it with their money. They also have been optimistic and the elevator plant and equipment of Western Canada anticipates much larger crops. If we cannot grow wheat profitably and do not produce large surpluses, the grain trade will suffer as well as the Western wheat growers.

We must bear in mind that while we have a long rail haul, that we have nothing like as long an ocean haul as has Argentine or Australia. It is 8,000 miles from our North Atlantic port to the United Kingdom; from Argentine to the United Kingdom it is 6,000 miles, and from Australia to the United Kingdom it is 11,000 miles, via Suez, and 11,700 around the Cape. Yesterday I wired our Montreal office for freight rates, and they replied that the ocean freight on wheat yesterday from Montreal to the United Kingdom was 6.97 cents a bushel, slightly under 7 cents. From New York to the United Kingdom the ocean freight rate was 5.57 cents a bushel, slightly under 6 cents a bushel. From the Argentine to the United Kingdom the ocean freight rate was 14½ cents a bushel, and from Australia to the United Kingdom the ocean freight rate was 28 cents a bushel. I might also add that the freight rate from India was 14½ cents a bushel.

The Deputy Chairman: That seems low, compared with the rate from the Argentine.

Mr. Richardson: Yes.

An Hon. Member: Have you the figures for flour?

Mr. Richardson: No.

Mr. McConica: Have you the rail rate from Winnipeg to New York?

Mr. Richardson: I did not give the rail rate.

Mr. Forke: Could Mr. Richardson give us any of the comparative costs of getting the wheat from inland to the seaboard in the respective countries mentioned?

Mr. Richardson: It is only through our cables that I am aware of the price at which wheat can be delivered at Liverpool for other markets in which we are competing. We get daily the figures that the other people are offering, but I could not give you the details in regard to their internal costs.

The Deputy Chairman: I think we can proceed more expeditiously if Mr. Richardson is permitted to conclude his evidence before being questioned.

Mr. Richardson: What we save in ocean freight helps us a little in our long haul, but our rail freights are much too high, and must be reduced. If it is true, as stated on good authority, that every settler is worth \$800 to the railway, then it is poor policy for the railways to charge such high rates that they will kill the goose that laid the golden egg.

The grain trade believe that they handle their part of the work in a way that invites honest investigation and study. Free competition regulates the grain trade throughout, and we do not believe that any large saving can be effected in this direction. We think that the place to look for the saving is in the rail rates and threshing costs, which are really very big items.

There is only one other point that I would like to dwell on for a minute. I would like to ask what is our fundamental right to succeed as a wheat exporting country if it is not our ability to produce wheat at a cost which will enable us to meet world competition. If the farmer in the south-western States can grow wheat and ship it out of the Gulf of Mexico on a short rail haul and sell it in the world's markets at a price with which we cannot compete, and if other wheat growers situated closer to the seaboard can produce wheat in volume and sell it at a price with which we cannot compete, then we will not succeed as a wheat-exporting country. If, on the other hand, the wheat grower in Western Canada, with his cheap land, and the character of his soil can, in spite of a higher rail haul, produce wheat cheaper than the United States, then the United States will cease to be a wheat-exporting country. If we propose to sell wheat for export we must realize that we must produce against the world, and that the buyer does not ask whether the wheat was produced by a Hindoo or by a Chinese coolie, he is interested only in the price and quality. He buys wherever he gets the most for his money. He will not pay more money because the wheat was produced in Western Canada, where standards of living are much higher than in other parts of the world where he also draws his supplies. To try and boost the Canadian wheat price above its value in the world's market would get us nowhere. We would only be holding an umbrella for wheat producers in other countries to sit under, and we would be encouraging production in other countries instead of in our own.

I leave this last idea with you. To increase world's wheat prices the world must eat more or the world must produce less, but this does not mean that we may not produce more and other parts of the world less. This depends entirely on our ability to compete, and we must remember that the higher the price the greater is consumption curtailed, and the lower the price the greater is consumption and the greater is the wastage. If it is a big crop they eat it all up, and if it is a small crop there is always enough to go round. That was passed on to me by my father as a saying of my grandfather's! The basic principles do not change.

I do not maintain that our present grain system is perfect, nor would I attempt to vouch for the business ethics of every one of the thousands of men engaged in it, but I do maintain that the system must be judged as a whole, and in spite of what may be termed defects and abuses, our system on the whole works marvellously well, and you must remember that some system is necessary to absorb the shock of price readjustments. In a business where price values are affected every month in the year by the condition of growing crops and general world conditions affecting water freights and finance. If anyone here thinks that there is big and easy money made in the grain business, my answer is, it is one of the easiest businesses in the world to get into, and people engaged in it think it is one of the hardest businesses in the world to stay in. So far, all progress has been made through individual initiative and enterprise, and I believe that our further line of progress lies in the same direction, and just here I would like to quote from a speech delivered by Julius H. Barnes at the Casino Club, Chicago, on March 20th, last; Mr. Barnes was the United States Wheat Director, his conclusions should, therefore, be given consideration. Mr. Barnes had been speaking about conditions in Russia, and then goes on as follows:—

"Our own theory of Government is diametrically opposite. Briefly stated, the American theory is that Government is organized solely for the purpose of securing the equal rights of individuals. We who believe that only in the atmosphere of perfect equality of opportunity for individual effort can sound

social progress be made, must be constantly on guard against the extension of autocratic and bureaucratic control into the social relation."

Anyone is foolish who attempts to forecast wheat prices a long ways ahead, because to do this well we would have to know in advance how the growing crops of the world mature, and he would have to have advance knowledge on the other factors that go to make prices. I might state that one of the chief factors against wheat prices has been the lack of ability to pay. What is the use of our figuring the eating capacity of the wheat importing countries in Europe as long as we will sell them nothing except against the cold cash that rattles over the counter? and it must rattle over the counter in this continent before our grain leaves our shores. The ability to pay is as important a price factor as the ability to eat. We must take in account not only how empty the stomach of the foreign buyer may be, but also how much money he has in his pocket.

I am in hopes that with the return of somewhat more stabilized conditions in Europe that we will see enlarged world shipments of wheat, and the present outlook gives us some reason to hope that our new Spring crop will be merchandized on a basis such that the net return to the wheat grower will show the purchasing power of a bushel of wheat considerably more than it was on our last crop. However, be this as it may, the price that we will get for our new crop will depend on world's conditions and not on a Wheat Board. If world's conditions justify high prices, prices will be high, if world's conditions force low prices, prices will be low.

I was in favor of a Wheat Board the year the Wheat Board was established, but I am not in favor of a Wheat Board now. It is not perhaps good business for me to go out of my way to boost one of my chief competitors, but quite regardless of that fact, I would like as a Canadian to record my admiration of the very able way that the Wheat Board work was administered under the direction of Mr. James Stewart. Doubtless, Mr. Riddell was a very able lieutenant to Mr. Stewart, but after all, it was a one-man job, and I venture to say that Mr. Stewart gave his Board no advance notices of what he proposed to do. World's conditions were in his favor, and he exacted the last pound of flesh when the foreign buyers were compelled to come here for their supplies, and the prices secured in the spring and summer months made a very high average for the crop. I regard Mr. Stewart one of the ablest men we have in Canada in any walk of life, he is a hard-headed big-fisted Scotsman with a constitution of iron, and yet I venture to say that he spent such an uneasy time during the winter of 1920, that it will be reasonable to mark several years off his life.

In conclusion let me say that while I do not know what the millers may have done. I do not think the grain trade made any complaint about the Wheat Board. Whether the re-establishment of that Board should be further considered is, I will admit, open for argument. From my own point of view, based upon my experience in the grain business, I think its re-establishment would be a very great mistake and would ultimately lead us into trouble. If there are any questions which members would like to ask I shall endeavor to answer them to the best of my ability.

The Deputy Chairman: May I make the suggestion that the questions be asked one at a time by one member at a time.

Mr. Lovie: Could we have the chart for 1921-22 hung on the wall? The bulk of the wheat in 1921 was marketed at a very low price. It started high and today it is high, but it went in at a low price for the reason that the banks shut down on credits and the wheat had to be sold at that low price. The reason we ask for a Wheat Board is in order to stabilize conditions and prevent that excessive loss to the farmers in marketing their wheat.

The Deputy Chairman: What enlightenment do you want from the witness?

Mr. Lovie: I want the reason why the wheat went down like that.

The Deputy Chairman: Other than the banking reason you have stated?

Mr. Lovie: That was not the reason. The farmers had to sell then because the banks would not advance any credit in the prairie provinces. The market went down below the cost of production, and a repetition of that condition means ruination.

The Deputy Chairman: Have you any explanation to offer, Mr. Richardson?

Mr. Richardson: October wheat starts off high, around \$1.50. I have tried to explain some of the fundamental factors in making the price. When that wheat was bought at \$1.50 it opened there. The amount of wheat sold at that price for export was never very large, but there was a little. We, ourselves, sold some wheat for September, about one million bushels. We sold a little for October, but there was no general broad support of our market around that level, none whatever. The English miller bought a certain amount of our wheat. He grows normally in England about 8,000,000 quarters of wheat.

The Deputy Chairman: What is a quarter in terms of bushels?

Mr. Richardson: 480 pounds to the quarter. He grows in England about 64,000,000 bushels of wheat, which normally is distributed over the year fairly well. When our wheat started off there was a certain amount of buying at that price, but not enough to take care of the market. The financial conditions were extremely serious in England. The English crop came on early. It was of beautiful quality and came right into the miller.

The Deputy Chairman: Into the British miller?

Mr. Richardson: Yes, the English local wheat crop, which averages about 64,000,000 bushels. It was a very hard nice wheat. It came out very fast. The English miller had bought a little stuff from us, but possibly financial pressure caused him to rush his wheat out there very fast, and that wheat largely supplied their requirements. They usually import about 71,000,000 bushels a month, and the local crop is distributed more evenly over the year. The people who bought wheat from us were being supplied so fast by their own farmers and growers at less money that they wanted to re-sell.

Mr. Forrester: That is, they wanted to re-sell the options?

Mr. Richardson: No, the wheat we sold them we could buy back cheaper than we sold it.

Hon. Mr. Stevens: After or before shipment?

Mr. Richardson: Before it was shipped; and we could have bought it back after it was shipped at any time.

Mr. Millar: That was brought about by the rapid delivery of the farmers?

Mr. Richardson: Yes; and I think the financial conditions all over the world probably had a lot to do with it. The wheat came out very fast, and the English importer had not guessed right. He took, probably, the biggest losses that were ever taken. He got well trimmed, and, of course, tried to pass it on to the fellow over here. To show some of the problems the exporter is faced with, I will cite an instance where we sold large quantities of wheat for September seaboard at high prices. The congestion at Montreal rendered it almost impossible to get our grain shipped. There were 72 boats in the harbor, and we were interested in 22 of them. We got all our August and September stuff out except 56,000 bushels and it cost us \$26,000 to settle that 56,000 bushels. The only other place we were in was at Quebec, where we tried to run a boat in and get it out. The elevator mixed the grain, and they had to stop and clean the grain. We drew on the English miller. Whether he speculated on it or sold flour against it, I do not know, but he had the ownership of it for a long time. Some time in October, however, before our drafts were paid, the market went down so much that he cabled over that he would not take up our draft because he did not believe the grain was loaded in September, that it came in early in October. He cabled the Harbor Commissioners at Quebec for evidence. The Harbor Commissioners at Quebec wired back to him to the effect that there

were 46,000 bushels of wheat on board by midnight on September 30, and that 2,000 bushels not then loaded owing to heavy rain went on board early on the morning of the 1st October. Our English friend said "You cabled us that 48,000 were on the ship. Your documents are not in order." When I found that 2,000 bushels were not on board I knew we were in wrong, and it cost us \$30,000. We cannot afford to make mistakes in the export business. That is the type of fellow we are going to make pay a lot more for our grain than he is paying now! A little while ago I was speaking to a friend of mine in New York about our continental business and he said, "Oh, I would much rather trade with the continent than the United Kingdom, because the trader in England knows every angle of the game. When you make a contract with him you can depend upon it that it is going through, but if there is an "i" not dotted or a "t" not crossed, and the market goes down, he turns the deal down and you are licked. The continental man tries to get out regardless of whether he has a right to get out or not, but we know too much for those fellows."

Mr. Sales: What proportion of your business is done direct with the United Kingdom?

Mr. Richardson: All our export business. Do you mean what percentage of our business is continental business and what percentage United Kingdom?

Mr. Sales: No, what percentage is done through United States points, New York and other points?

Mr. Richardson: Normally, Montreal is the best port from which to do business with the United Kingdom.

Mr. Sales: I was thinking of those big men, Sandays of Liverpool, Dreyfus of Paris, and others that you mentioned some time ago, who had their agents over here. Do you not do business with them at New York points?

Mr. Richardson: No; they have their country elevators and organizations complete. We do business against them in Europe. Last week or within the last ten days I got a wire from the Montreal office saying a certain competitor in the United Kingdom was offering oats at Rotterdam at  $\frac{3}{4}$ ths of a cent per bushel under what we could sell at. They said they had exhausted all their ingenuity in an attempt to shave the ocean freight in order to enable us to meet this competition, but could not do it. They asked me to re-check our figures and ascertain what was wrong with them. I said, "I cannot see it at all unless it is in the ocean freight." The next day the Royal Mail line announced a lower freight to Rotterdam. Our friends on the other side had received that information a day in advance.

Mr. Sales: You spoke of the services rendered by the trade, and the low charges. I believe you are also members of the Grain Exchange and owners of a line of country elevators?

Mr. Richardson: Yes.

Mr. Sales: You spoke of financing your business.

Mr. Richardson: Yes.

Mr. Sales: That is one of the things you had to do in return for the money you got. My attention has been drawn to some evidence given in Regina. Do you know Mr. H. M. Baird, ex-president of the Winnipeg Grain Exchange, and a member of the firm of Baird & Botterell, of Winnipeg?

Mr. Richardson: Yes.

Mr. Sales: And Mr. W. T. Thompson, of Thompson, Sons & Company?

Mr. Richardson: Yes.

Mr. Sales: I see in a newspaper report of the trial of E. E. Quigley they stated that it was a practice common to members of the Grain Exchange to pledge their clients' securities in order to obtain money to carry on their own business. Mr. Thompson, upon being asked: "Is that a common practice of the trade?" replied: "As

far as I know it is. It has always been the custom of my firm and I am reasonably sure that it is done by most firms in the business," He was then asked: "You mean that it is your plan to take your customers' bills and borrow money on them for yourself?" and he answered "Not for my personal use, but for the business. It is a general practice among grain men to pledge bills on which nothing is owing." Mr. Baird said: "We consider that we are privileged to pledge any securities in our possession to meet exigencies." This firm failed for thousands of dollars, and the farmers' grain bills were pledged, according to this evidence, to carry on the business of the men engaged in the grain trade. Mr. Richardson has stated that he could not answer for the ethics of all the trade. I do not suppose he can, but I would like his opinion on the practice of pledging bills on which nothing is owing?

Mr. Richardson: Speaking on behalf of our own firm I may say that we do not pledge securities of that kind at the bank. I think the point mentioned sounds worse than it really is. A commission house in Winnipeg may advance a farmer \$750 against a bill of lading. They have not an unlimited amount of money. After they do a certain amount of business they have to take that bill of lading to the bank and get an advance against it. Strictly speaking, that advance could only be for the exact amount that they advanced against it in the country.

Mr. Sales: That is all right, because when a man received an advance from your company he assigns his bill of lading to you, which is a different matter to a bill of lading on which nothing is owing.

Hon. Mr. Stevens: What has that to do with the Wheat Board?

Dr. Magill: Mr. Baird is attending the meetings of this Committee and is now in this room. If it is a matter of interest to this Committee I submit they should ask Mr. Hugh Baird himself.

The Deputy Chairman: We have before us now a representative of the grain business whose family have been in the trade for three generations. Mr. Richardson, what would you think of such a procedure as taking a bill of lading on which there was nothing owing and raising money on it? Would that appeal to you?

Mr. Richardson: I would rather not be asked to pass any opinion on the matter.

Hon. Mr. Stevens: Do you do it?

Mr. Richardson: No.

Hon. Mr. Stevens: That is all we can ask of him, Mr. Chairman. I submit we should not ask Mr. Richardson to sit in judgment upon Mr. Baird, who is in attendance at this meeting of the Committee. I think it is altogether wrong to put Mr. Richardson in that position. He said he would not do it, and does not do it. Is not that enough?

The Deputy Chairman: I am not asking Mr. Richardson to judge Mr. Baird. A certain practice has been brought to the attention of the Committee, and I am asking Mr. Richardson what he thinks of that practice. I do not know whether that practice is general or rare.

Hon. Mr. Stevens: He says he would not do it.

An Hon. Member: What he thinks about the practice is that he would not do it. If other people do it, it is their business.

Mr. Warner: I would like to ask Mr. Richardson whether it is because they do not need to do it that they do not do it? Is it because you have finances enough without doing it, or because you feel the principle is wrong?

Mr. Richardson: We have never discussed it in our organization.

Mr. Forke: A good deal has been said about confiscation. When a grain firm takes a bill of lading and uses it as credit for their business, is not that confiscating the farmers' wheat. I sent down two cars of wheat to Winnipeg at one time, and

pressed for the payment for those cars of wheat when they were sold. I had to go to the bank with the commission agent and back his notes in order to get the money for my wheat, which was eventually paid. He took up the notes at the bank afterwards. But it seems to me that is a scandalous method of doing business. I do not know whether it is common on the Grain Exchange or not.

Mr. Forrester: Why did you do it?

Mr. Forke: Because I wanted the money.

Mr. Forrester: You were going behind his business.

Mr. Forke: He could not get the money out of the bank until I backed his note.

Mr. Richardson: Mr. Forke has brought up a point that I would like to answer carefully and emphatically, in so far as our firm is concerned. As I previously stated, I cannot undertake to hold a brief for everybody engaged in the grain business. There never was a time when we did not hold grain to cover every bushel of consigned grain shipped to us and not yet sold. This consignment business is handled by a special department of our organization. They do not ship at all out of Fort William or Port Arthur or east of Fort William or Port Arthur. They do not ship the farmers' grain out, and they do not authorize anyone else to ship the farmers' grain out, nor do they close the car out until they get instructions from the farmer to close it out.

Mr. Millar: I think we are very fortunate in having Mr. Richardson before us. He has given very straightforward evidence, and I agree with nearly everything he has stated. There are, however, some points upon which I would like a little information. Mr. Richardson is interested, not only as an importer but as the owner of a terminal elevator. There is a matter in connection with terminal elevators which I cannot bring out by a single question. The idea is this, that the mixing elevators are a very great detriment to the growers of grain. Go back to the British buyer. As Mr. Richardson knows, the Britisher is a very keen buyer, and I believe he will agree with me that if even 10 per cent. of the grain coming from any inspection—say from the Winnipeg inspection—is off color, it affects the price of every bushel of grain that is shipped from that market. I understand that a load of No. 3 from Canada was absolutely refused on the British market during this season. Anyway, I am sure that if even 10 per cent. of the grain from any inspection is found to be off grade, it will affect all the grain from that market. If that is the case, what is the effect, in your opinion, Mr. Richardson, of the presence of mixing elevators at Fort William? About 50 per cent. of our grain at the present time passes through the mixing elevators, and although it is contrary to law, a great many cars are (I will not use the word "stolen") substituted—cars that are supposed to go to public elevators that are very high in the matter of grading. That is, a car of No. 2 that is almost No. 1 is substituted. It is taken to the mixing elevator, and a car of poorer grain is put in its place. I have the proof here, and it can readily be established. I believe the inspectors are expected to grade the grain out of these mixing elevators at the average of the grade, not allowing the mixing elevators to degrade it to the very bottom of that grade. But for some reason—I do not know whether the inspectors are to blame or not—the grain gets out of those mixing elevators in a far poorer condition than it should. We have had the evidence of two millers to the effect that they avoid, as far as possible, the grain from those mixing elevators. I believe that is a source of very great loss to the growers of grain, because that grain going over on the British market and to the millers in Eastern Canada in a degraded condition affects the price of nearly all our grain.

Mr. Richardson: I am just as anxious as Mr. Millar or anyone else here is to see that the standard of Canadian wheat is maintained. To answer his question,



I would have to refer to the development of the private elevator. The private elevator has developed largely in the last few years. Part of the reason for it is that our big regular public storage elevators were not allowed to mix grain. They had to ship it out exactly as they took it in, covered by the identical paper. That is, if they handled during the year 1,000,000 bushels of No. 1 Northern they must ship out 1,000,000 bushels, and if they took in a million bushels of No. 2 they must ship out a million bushels of No. 2. If they took in a car of tough rejected No. 2 Northern, they must ship out that grain as tough rejected No. 2 Northern. They can dry it if they like and ship it out as dried rejected No. 2 Northern, but this characterization on the certificate works adversely to a satisfactory sale of it, particularly to a foreign buyer. There were some years in which we had a lot of tough and off-grade grain. In those years some small elevators started up and bought this off-grade grain, and on account of the big elevators being unable to do anything with them, and also on account of a lack of good competition for this class of grain, the small elevators bought these cars at a large discount. I cannot say definitely that it is true, but they are reputed to have made very satisfactory profits in handling that grain. Anyway, it results in more small elevators springing up around the port, extending over about twelve miles. It was an uneconomical proposition from every point of view to have these little elevators handling that stuff, when they could not handle it half as well as the big elevators could handle it. They had to have an inspector at every one of these little elevators. Then the question of a sample market came up in Winnipeg on account of these off-grade cars, and the Government thought it was desirable that the sample market should be developed. The Winnipeg Grain Exchange provided room and made some provision for a sample market, but they could not possibly have complied with the request for the establishment of a sample market, unless they had large private elevators. Speaking for our own company, we saw the drift of events and equipped our plant in Port Arthur with the idea that eventually we would go into the private elevator business. I had that in mind because free wheat was then on the boards, and I could see very distinctly if the large private elevators in Duluth could pay a little premium for our choice grades of wheat it would draw all our wheat to Duluth. I do not want to speak like a citizen of the United States, but the fact is that we have a better elevator operating in Port Arthur than in any part of the United States, and we are not afraid of competition from them so long as we have a fair chance to compete with them; but if they could pay for grain down south, pay premiums for it and pick out the good cars, we would probably find ourselves, as exporters, buying some of our own No. 1 Northern wheat coming out of Duluth cheaper than we could put it through our own elevators at Fort William and Port Arthur. We changed our elevator over into the private elevator business. I do not know of any complaint having been made with regard to our own elevator. When I was in New York a shipper told me that our grain was worth a cent a bushel more than grain from any other private elevator in Fort William—or some private elevators. I said "It is very nice of you to say that, but you never paid us any more money." I do not think there is a single complaint with regard to any of the big private elevators in Fort William today.

The Deputy Chairman: Are they blending elevators?

Mr. Richardson: Yes, but it has been charged that wheat has gone out of Fort William and Port Arthur as No. 3 Northern that is not No. 3 Northern wheat, and the Dominion Government inspector has given a certificate for it. The grain trade do not inspect the wheat. It is fully covered by the Act. I will admit that the situation is much more difficult with private elevators than it is with public elevators. It is a grain inspector's job. But grain going out of private elevators should be equal to the average of the grade. We have a small elevator in Winnipeg called the Anchor elevator, which runs exclusively on sacked oats for the lumber camps. I remember taking in a car of No. 2 Northern, weighing it up and shipping it on to

Fort William. When we shipped it out the inspector called it No. 3. We went to him and said, "But you inspected this car in yesterday as No. 2!" He said, "Yes, I did; and yesterday it was No. 2; but today it is No. 3. When the wheat came in yesterday it was No. 2, but a very poor No. 2, and you know that grain going out of a private elevator must be equal to the average of the grade, and this is not equal to the average of the grade and therefore you are going to get a certificate for it for No. 3." That was the only car of wheat we handled through that elevator that year. We pointed out that if we had built it up we would have got a certificate for it for No. 2.

Hon. Mr. Stevens: Had it been a public elevator it would have been inspected out as it was inspected in.

Mr. Richardson: Exactly. I am not holding a brief for everyone engaged in the grain business, but I think the average grain man will compare very favorably with any other man engaged in any other line of business. If the stuff goes out of Fort William and is not right, I do not want to see it. As soon as I heard the report, I went to see our elevator managers and said, "What about these reports?" and they said, "Why should we worry? Nothing has gone out of our house that we cannot stand behind." I said, "That is what I want. We worry because it will affect the standard of our grain; we do not want stuff shipped out that is not right." If it is not right, who is to blame for it? It is the inspector that gives the certificate for stuff that is not what it should be. I am not saying he does, but I say we have no control over the certificates. They are under Dominion Government inspection.

Mr. Sales: The owner of a private elevator who is not also an exporter has not the same interest that you have in maintaining that standard?

Mr. Richardson: He does not make the standard; the Government makes the standard. He has nothing to say about that. He is going to try to get it out just as low as he can, as a private elevator.

Mr. Millar: He is not as much interested in keeping up the prices on the English market.

Mr. Richardson: Do not put it in the hands of the private elevator operator to grade the wheat.

Mr. Sales: That is all right, but when those boats are being loaded—

Mr. Richardson: The whole weakness is in the human element.

Mr. Sales: When I ship a carload of wheat down and it is inspected in Winnipeg, the sampler is supposed to get in and stab the wheat in a number of places with a long brass appliance which opens and takes in wheat and then closes. The inspector is thus enabled to get samples in half a dozen places from the top to the bottom. I have seen wheat being loaded on boats and have watched the inspector catching it as it is going out of the spout into the hold of the vessel with a little tin on the end of a stick. Sometimes he gets samples that are so thin and so poor, and the No. 3 gets so near to No. 4 that the inspector says, "I cannot let any more go in," and they fatten it up a little bit and in it goes. My contention—and also Mr. Millar's contention, I think—is that the average of our No. 3 has been injured by the mixing houses. Mr. Labelle said he did not want to have anything to do with them.

Mr. Richardson: He does not know wheat when he sees it.

Mr. Sales: Possibly he does not, but I maintain that the miller who subjects his wheat to chemical laboratory tests should know wheat better than the man who merely looks at it in his elevator.

Mr. Richardson: A number of millers are buying wheat on the Government Inspector's certificate, and many of them do not know anything about wheat except the certificate. Many of us in the grain trade feel that if we were in the milling

business we could give some of the millers a hard run for their money. Some of the millers, of course, feel they would put us out of business if they entered the grain business.

Mr. Sales: I remember years ago the grain men urged that mixing grain did not deteriorate it, and the representation of the farmers at that time was that if mixing did not deteriorate it there was no desire to rob the mixers of grain of the reward of their labors. At the same time we asked that any grain going through a mixing house should bear the word "sample" across the certificate, and those men said they would not have it.

Mr. Richardson: In regard to that I do not want to reflect on the millers, but they judge it by report to a great extent. There has been a complaint about our No. 3 Northern this year because some of our No. 3 Northern was damaged by the weather last year. It was very good wheat but was slightly bleached and had a few odd sprouts in it. The American exporter bought that wheat as No. 3 Northern and expected to ship it out of the American seaboard or American Federal Certificate as Dark No. 3 Northern, but owing to the fact that the wheat was bleached it did not meet the requirements of the American Federal Dark No. 2 Northern, and consequently he felt very sore and made a big roar about our No. 3 Northern wheat. Possibly General Labelle heard about that; I do not know. Possibly there has been wheat going out of private elevators at Fort William carrying a certificate that does not properly represent it; but that is the fault of the inspection. Mr. Godfrey buys for the Quaker Oats Company. He told me the other day that he had received instructions from the Quaker Oats Company indicating that they wanted private elevator stuff because they were sure of getting the average of the grade. Is that right, Mr. Godfrey?

Mr. Godfrey: Yes.

Mr. Richardson: The miller would like to get No. 1 Northern wheat that weighs 64 pounds to the bushel. He does not get it in private elevators. He should get the average of the crop. If the average of the crop is 61 or 62 pounds he should get the average of the crop.

Mr. Lovie: What is the reason that 64 pounds does not grade No. 1 Hard?

Mr. Richardson: If it had the other qualifications it would be No. 1 Hard.

Mr. Lovie: How much is the wheat hurt by a shower of rain, so far as its milling qualities are concerned?

Mr. Richardson: I do not think it is hurt much more than the moisture content.

Mr. Lovie: Is it hurt at all?

Mr. Richardson: To this extent, that if there is much moisture in it, nobody wants to carry that amount until next summer.

Mr. Lovie: But if it is as hard as flint, is it hurt if it is bleached a little?

Mr. Richardson: I would not like to say anything about its milling qualities.

Mr. Millar: Mr. Richardson referred to the grain that had become damp and was dried and disappeared with the sale of that grain if it went out as anything else but on straight certificate. If there is an attempt made to sell that grain for something that it is not, an injury to the trade will result.

Mr. Richardson: I took as an example tough, rejected No. 2 Northern with an excess amount of moisture, probably rejected because of wild oats. If the private elevator dries that grain and cleans out the wild oats it qualifies for No. 3 Northern. Dry No. 2 Northern qualifies for No. 3 Northern, and goes out as such, but the public elevator would have to ship it out as dried rejected No. 2 Northern, which would not be as satisfactory to dispose of, particularly as there might only be a small quantity of it. With a big trade in No. 3 Northern it goes out more satisfactorily as such.

Mr. Millar: Mr. Richardson very wisely refused to become responsible for the sins of other elevator operators. Perhaps we are unfortunate in having before us a representative of a company reputedly straightforward in their dealings.

The Deputy Chairman: You do not send the worst animals to the exhibition.

Mr. Millar: Mr. Richardson has, however, perhaps unwittingly admitted my point when he states that a member of the grain trade in New York told him the grade of wheat from his elevator was worth one cent a bushel more than the wheat from any other private elevator. First, he stated "any other private elevator," and then he said "some private elevators."

Mr. Richardson: I said they never paid us that cent a bushel. He may have been trying to make me feel good by talking in that way.

Mr. Millar: I do not think so. The impression conveyed to us by Mr. Godfrey was that the grade of the wheat from the mixing elevator was not worse than the grades from other elevators. Is not the case cited, where the company asked for grain from a mixing elevator, an exceptional one? I am quite convinced we are suffering great loss by the existence of these mixing elevators. They were obtained after a great fight lasting for many years. It was claimed we would get a great deal more if we had a sample market, and in order to get the sample market, we had to get these mixing elevators. I think the desire of those who sought the establishment of a sample market was to get the mixing privileges. How many cars of grain are sold in a year on the sample market which we have at the present time?

Mr. Richardson: It is not effective at the present time. It is a railway problem. We never had a sample market, practically. The private elevators are paying premiums for grain going into Fort William.

Mr. Millar: It was established by law.

Mr. Richardson: Yes; and we made all arrangements for it, but unless we received an order from the railway company for cars to be held in Winnipeg and the samples placed on the tables and the wheat sold on sample it would be difficult to satisfactorily develop a sample market. At the present time our grain goes through with such a rush in the fall of the year that our railways think it would tie up transportation altogether if it went through the sample market. The problem at the present time seems to be a railway problem.

Hon. Mr. Stevens: The facilities are there for them if they want to take advantage of them?

Mr. Richardson: As far as the grain trade is concerned, they have complied with the regulations.

Mr. Millar: Those were the very arguments used by myself and others years ago against the establishment of the sample market, and yet the trade—

The Deputy Chairman: The farmers?

Mr. Millar: No. At one time they wanted the sample market, about 75 per cent. of them, but as the months went on they were persuaded that it was against their interests, and sent representatives to Ottawa to prevent its establishment, but it was forced upon them.

Mr. Richardson: The first resolution carried?

Mr. Millar: Yes, against their wishes; and I believe the object of the effort to get a sample market was to get the privileges of the private elevators.

Mr. Evans: I am not sure that this Committee has not lost to some extent the viewpoint of the farmer from whom the unanimous demand for the re-establishment of the Wheat Board has come. James Richardson & Sons, Limited, is an old-established firm with whom I have done business and of whom I know something in regard to their integrity, and I think Mr. Richardson is well able to answer this

question. It is not that the farmer expects the Wheat Board to raise the world's price of wheat, but he does expect that the wagon-load price should bear some relation to the export price. That 1921-22 chart shows an extreme case of \$1.02 as the lowest price. The farmer at that time was getting about 72 to 74 cents. He was getting about 70 cents for No. 2 Northern, and No. 1 Northern was worth the spread above that, on a 21-cent freight rate. I would like to know, in view of the fact that James Richardson & Sons, Limited, is a collecting firm as well—

Mr. Richardson: We operate country elevators, yes.

Mr. Evans: I would like to know how you fix your wagon-load price and what relation it bears to the present export price? How do you fix the price paid to the farmer as compared with the present export price? We think we lost about eight cents a bushel at least this fall.

Mr. Richardson: The eight cents would be the difference between what, the track and street prices?

Mr. Evans: Between the wagon-load price and the cash price at Winnipeg.

Mr. Richardson: That is the toll of the elevator, eight cents?

Mr. Evans: Our price was 70 cents to 72 cents at the time it was \$1.02 in Winnipeg.

Mr. Richardson: What would your freight added be?

Mr. Evans: Twenty-one cents.

Mr. Richardson: A hundred?

Mr. Evans: No, a bushel.

Mr. Richardson: What was the date of that?

Mr. Evans: I am not quite sure of the date, but it was after we started threshing after the storm; just about the 1st November. I think.

Mr. Richardson: What was the price you got on the street?

Mr. Evans: About 70 cents.

Mr. Richardson: And the cost of putting it into Fort William would be 21 cents. That is 91 cents. What was the price in storage at Fort William at that time?

Mr. Evans: \$1.02.

Mr. Richardson: I was away during the whole of October and November. I did not return to Winnipeg until the 23rd of December. I have no detailed information on these points. That price of \$1.02 was for what, December wheat?

Mr. Evans: I am taking the Winnipeg cash price.

Mr. Richardson: You had the privilege of putting it on the car and shipping it to Fort William if you did not want to take that price.

Mr. Evans: We cannot all do that.

Mr. Lovie: What do you do if you have not got a carload?

Mr. Richardson: If you do not like the price you can get a ticket for your wheat at the elevator, and obtain a 60 per cent. advance against it. Or if you have a carload you can put it in a special bin at the elevator and get a 60 per cent. advance against it and ship it when you want it shipped. Dr. Magill brought out yesterday one of the points in regard to street prices, and that is that the farmer has many more opportunities of getting cars under the present regulation than has the elevator companies, and the grower has the privilege of putting his grain on the car and shipping it to the head of the Lakes and having it sold for him on the open market at a cent per bushel commission. But when he gets cars, the elevator man is in a worse position, and has to buy that wheat on the street in anticipation of what he is going to be able to gain for it when he gets a car to the head of the Lakes. That brings up a question that must have disturbed many of the growers in Western Canada, that we

had a high spot price. In the Fall of the previous year the foreign buyers were urgently in need of wheat immediately, and had to pay through the nose for every bushel they received. Our firm exerted every effort it could to buy stuff two or three months ahead, but they would not buy a bushel. When the price was high they bought as little as possible, and figured that when the Argentine and Australian wheat came on and there was more competition, they would get the wheat much cheaper. The man buying the stuff back in the country had to pay a price that anticipates getting the grain out perhaps two or three months or longer ahead, and the man who puts grain in the elevator that cannot be marketed until next May has to look at the May price, not the October or November price. We cannot get that price for him, much as we would like to do so, nor can the Wheat Board or anybody else. If prices in the spring come up, he wins; if he closes out his wheat in a position that he cannot realize on it for five or six months, we have to protect ourselves the best way we can.

Mr. Millar: I asked Dr. Magill the same question yesterday, and he missed the point, not intentionally, of course. Would you try to forget entirely the grain that cannot be put on the car at once and direct your attention to the time when there are plenty of cars and the grain can be loaded the next day, grain coming from one farmer who has a carload and from another farmer who has only one load? The one receives 70 cents a bushel for his carload of wheat and the other receives 65 cents. It all goes in to the same bin and the same car. They "hedge" against the wheat bought on the street as well as the wheat bought by the carload. We understand the explanation you have been giving of wheat that has been held for a month or two, but we would like you to deal with the other point.

Mr. Richardson: That is the difference between the street and the track price?

Mr. Millar: Yes, when there is no shortage of cars. You see, the order book does not then come into full force at all.

Mr. Richardson: The difference between the street and the track price is estimated by the different members of the trade to be a fair price for the services they render, and the length of time involving interest and storage until they can get their grain to market; they take the whole situation into account. If that spread is too wide at any particular point and the farmer can get a car right away, his course is to take the car and ship it. He has the privilege of taking a car and shipping it himself, or getting his neighbors to join him and ship it, or else putting the grain in the elevator and storing it; he has those other options.

Mr. Millar: In the spring of the year after he has sold his grain he has one load left. Perhaps there is not another farmer within miles, and they could not make up a carload.

Mr. Richardson: I remember speaking to the elevator buyer at Gleason, Alberta, who said "Confound it, I cannot buy a thing out here. A fellow came in yesterday at the tail end of the season and wanted me to give him a ticket for 65 bushels." They have that privilege.

Hon. Mr. Stevens: Before this witness is dismissed I would like to ask one question: Mr. Richardson, you are well posted in the export business. The evidence brought out by yourself and others is that the foreign market is pretty well controlled by the British buyers. This year there has developed on the Pacific Coast quite a considerable market in the Orient, and there has also been a considerable quantity of grain shipped through Pacific Coast points to Europe. Can you give the Committee your opinion as to the advisability of developing that Pacific Coast route for the extreme Western crop in order to avoid the long rail haul, particularly in the winter months, to the Atlantic seaboard, and the consequent freight rates?

Mr. Richardson: Of course, the possibility of the Orient taking more wheat is one of the attractive features of the grain trade. Once the Japanese and Chinese com-

mence to consume flour they will probably continue to do so. Some years before the war we opened an office in Vancouver. We also sent one of our men to Japan with a trunk load of samples of Canadian wheat, established trade codes, and did a slight business, which was largely curtailed when the war broke out. They had been buying chiefly low-grade wheat from the American Pacific coast, which covered their requirements. This year there has been a considerable trade with Japan, but whether or not a large part of that wheat is finding its way into Russia we do not know. If they have a short rice crop over there, the trade will be increased. The Pacific liners are going backward and forward all the time, and would like to develop the wheat trade. From a railway point of view they would like to get enough wheat to move to provide empties to take lumber back. We have done some business out of Vancouver through the Panama canal to both the United Kingdom and the Continent. The business so far has been difficult owing to the fact that the agents we have to deal with on the Pacific Coast are not very well informed about their business. They cannot figure the capacity of their ships, and think that two or three days on a contract does not make any difference.

The Deputy Chairman: The public men should try to raise the standard.

Hon. Mr. Stevens: This is an important point. One of the difficulties you find is lack of familiarity on the part of the local agents with this business.

Mr. Richardson: Yes, the local agent of the steamship companies on the coast.

Hon. Mr. Stevens: And lack of surety as to the time of shipment.

Mr. Richardson: Yes.

Hon. Mr. Stevens: That is, charters and so forth, in connection with ocean transport.

Mr. Richardson: Yes.

Hon. Mr. Stevens: So that you cannot exactly estimate the time of delivery in Liverpool. These are some of the difficulties you are facing?

Mr. Richardson: Yes, and also the competition of the more established trade routes. We can ship out of the northern Atlantic ports 16,000 to 24,000 bushels on a sale, and if we want to do that business at Vancouver we have to take a 5,000-ton ship and probably she will agree to go to two ports. If we sell 250,000 bushels of grain and the ship takes 275,000 bushels and we send 25,000 bushels forward unsold, they will try to make on the other 25,000 bushels all the profit we made on the first 25,000, and if we are 25,000 bushels short we are up against the same difficulty.

Hon. Mr. Stevens: Do you expect improvement with an increased familiarity with the business on the part of the agents?

Mr. Richardson: Yes. When there is a little space it is offering fairly cheap, but there is a great deal of uncertainty in regard to getting the tonnage.

Mr. McConica: What is the elevator capacity out there?

Mr. Richardson: 1,000,000 bushels.

Hon. Mr. Stevens: 1,300,000 bushels.

Mr. Richardson: A Government elevator.

Mr. Sales: You quoted our water rates from Montreal as being 6.97 cents as against 14.50 cents from the Argentine. That rather conveys a wrong impression, for when we have to bring our grain from Fort William and Port Arthur to Montreal that rate must be added to the 6.97 cents?

Mr. Richardson: Yes. That rate at the present time is about 9½ cents a bushel.

Mr. Sales: That brings it up to 16.47 cents as against 14.50 cents?

Mr. Richardson: I was referring to the fact that when we got the wheat to the seaboard we had some advantage in ocean freights which would help us out somewhat.

Mr. Sales: I quite agree with Mr. Richardson when he says if we cannot produce wheat in Canada in competition with the world we will go out of business. My question as to this practice of financing was referred to Mr. Baird. What is your intention with regard to it, Mr. Chairman?

The Deputy Chairman: I am very glad Mr. Baird is present. If there are only one or two questions to ask him, perhaps he could be called now. Otherwise, he could be called tomorrow morning.

Hon. Members: Call him tomorrow morning.

Mr. Baird: I can answer you right now.

The Deputy Chairman: We are both in the hands of the Committee, Mr. Baird, and the Committee would rather hear you tomorrow morning.

Dr. Magill: There are other grain men present who might have something to say, too.

The Deputy Chairman: Then we may as well permit the matter to stand until tomorrow morning. I think the thanks of this Committee should be extended to Mr. Richardson for the remarks he has made before us this morning.

The Committee adjourned at 1 o'clock p.m. until 11 o'clock on Thursday, April 27.